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Houston has long been known for affordable housing compared to other large cities. Throughout the 1990's, median housing values and rents in Houston remained lower than in many other major cities and this continues to be seen as a competitive advantage in attracting population and job growth. Not surprisingly, mortgage or rent is the largest single monthly expenditure for most households and the availability of choices for both renters and owners that are affordable to all income levels is important to the well being of a region. This report uses 1990 and 2000 Census data to examine the overall state of housing in Houston and explores the impacts of Houston's housing options on a population that is both growing and changing.

Over the next twenty years, regional (8 county CMSA*) population is expected to grow 50% to 75%. This growth will increase demand for housing, which will, in turn, raise housing costs. Already, more than one quarter of households currently live in unaffordable housing. Compounding the impact of this growth on housing affordability is the expectation that the majority of these new residents will have low education levels and low incomes. Unless housing that is affordable to a wide range of incomes is available within the City, a growing number of families will be forced to move further and further from services, jobs and amenities within the City. This type of sprawling growth will add the financial burden of long commutes and lower quality of life across the board. At a citywide level, continued sprawl in search of affordability will add stress to an already strained transportation system, rob the city of tax base, and increase already serious environmental problems such as flooding and air quality. Because of the growth and change expected, planning for the future is now, more than ever, a necessity.

The City can help guide this future growth and take advantage of opportunities to address challenges related to housing and quality of life. Perhaps with incentives, some of the investment that would likely occur in the west, outside the City limits, can be attracted to east side communities where existing infrastructure is underutilized and opportunities for infill housing are plentiful. In addition, linking economic development with initiatives to increase the variety and supply of affordable housing can create vibrant mixed income communities that prosper as Houston grows. With an emphasis on planning, consensus building, and setting priorities, Houston can enhance the quality of life in all its neighborhoods.

Several recently implemented projects underscore the potential existing in traditionally overlooked and underserved areas. For example a regional grocery chain operates one of its highest grossing stores along Old Spanish Trail. Also, a rebuilt and revitalized Gulf Gate Mall is serving a growing, low income, Hispanic population. These success stories show that economic vitality is possible in areas where Census data indicate low incomes and low educational attainment. On the housing front, the Land Assemblage Redevelopment Authority is currently working to return tax delinquent abandoned properties to the tax rolls as affordable housing. In

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addition, local Community Development Corporations and developers have embarked on a variety of innovative affordable housing development programs.

The economics of housing affordability tend to play a large role in where people live. Households with high incomes gravitate to areas with high housing values and, by necessity; those with lower incomes tend to locate in areas with low housing values. Second to income in predicting a household's location is that household's race/ ethnic origin. Regardless of whether they are owners or renters, households tend to locate in the same neighborhoods as similar households. With these factors related to income and race/ethnic origin in mind, housing in Houston can be divided into three categories: 1) those with higher costs and rapid growth, 2) low cost with higher ownership and 3) higher population diversity, growth, and low incomes.

High Housing Costs and Rapid Growth

High housing costs are concentrated in four areas. These include the extreme northeast (Kingwood), the extreme southeast (Clear Lake), the southwest quadrant of the Inner Loop, (including Montrose, River Oaks, and University Place), and a straight line westward from Uptown, including Memorial and other Super Neighborhoods along Buffalo Bayou. Housing values in these areas are two to five times higher than the City average and rental rates are at least twice that of the rest of the City. Despite the high costs relative to other areas, for the majority of both owners and renters in these areas, housing remains affordable.

Housing in these areas tends to be newer and the supply has expanded in recent years with many new units added between 1990 and 2000 in response to population growth. Vacancy to the far northeast and far southeast has remained quite low. Vacancy rates to the west of Downtown are higher than the citywide percentage – probably due in part to the addition of a large number of multi family units in recent years. These high-cost, high-income areas are not very diverse. White families and individuals with higher levels of education make up a majority.

Given the relative prosperity found in these areas of growth and economic stability, major issues are related to dealing with the effects of rapid growth such as congestion, inadequate infrastructure, and sufficient schools.

*CMSA (Consolidated Metropolitan Statistical Area)

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Low Housing Costs – High Ownership

Much of east Houston and large parts of southern Houston have low housing costs due, in part, to general decline or stagnation in these areas. Incomes in these areas, that create a crescent surrounding Downtown, are also quite low. Almost all of the Super Neighborhoods in the eastern half of the City have ‘moderate-poverty’ levels where 20% to 40% of the population is in poverty. Most ‘high-poverty’ Super Neighborhoods (where more than 40% of the population is in poverty) are east of Downtown.

Despite high poverty rates, many of these declining areas have relatively high home ownership rates. This may be due, in part, to low housing values – values below the City median. Even so, low income households are paying more than 30% of income towards housing are concentrated here. Decreasing population in these areas and an obvious increase in households older than 65 years may indicate a more plausible explanation - young people are moving away from these neighborhoods and elderly households on fixed incomes remain.

Much of northeast Houston and large parts of southern Houston have been bypassed by many of the positive changes the City has experienced since 1990. The population in these areas has stayed the same, or decreased somewhat over the last decade and is largely low income with low education levels. In parts of east Houston that are historically majority Black, the Black population has declined and been replaced by a growing Hispanic population. However, this new population also has low incomes, is poorly educated, and may face the added challenge of poor English skills.

Continued stagnation and population loss on the east side of Houston will negatively impact the City as a whole. While housing will continue to be relatively affordable to the east due to low land prices and weak demand, low-income homeowners will be unable to afford to maintain their older homes (most of the housing stock on the East Side is 1960 era or earlier). This will further destabilize neighborhoods, adding pressure on the City to increase neighborhood protection services.

Growth, Diversity, Low Incomes

Housing costs have remained fairly low in southwest Houston despite strong population growth that might have pushed costs higher. Existing vacant units have absorbed most of this growth in an area with more multifamily than most parts of the City. Few new units were added in this area and vacancy rates declined by half or more since 1990 to approximately 5%. Even though

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housing values are lower in these high growth areas, renters are predominant at almost 70% of households.

Overall, two-thirds of the City's population growth took place outside Loop 610 between I-10 (Katy Freeway) and SH 288. More specifically, the southwest of Houston along US 59 has experienced a great deal of population growth during the decade of the 1990s and these areas have become the most populous neighborhoods in the City. Of the City's total increase in population, almost 80% took place in the Super Neighborhoods that make up this area – Sharpstown, Gulfton and Alief. As the population has grown in southwest Houston, the racial and ethnic majorities seen in most of the rest of the City have disappeared and been replaced by an extremely diverse racial and ethnic make-up in which no single group is a majority.

With the supply of housing in these areas not increasing to accommodate population growth and vacancy rates low, market forces would indicate that housing prices should begin to rise. However, Sharpstown, Alief, and Gulfton already have 5,700 or more renters paying more than 30% of their income to rent – up from 4,300 in 1990. For these and other households paying a high percentage of income towards housing costs, increasing rents might be devastating.

As a broader measure of economic well being in these areas, the largest numbers of persons below poverty were in Super Neighborhoods in these same areas to the southwest outside Loop 610. Of all Super Neighborhoods, Sharpstown, Alief and Gulfton had the largest number of persons below poverty (almost 50,000). This represented a partial shift from 1990 when, Northside/Northline, Gulfton and Greater Fifth Ward had the largest number of persons below poverty.

This type of growth in the southwestern part of Houston brings with it many challenges and questions. Will this area be one of opportunity for immigrants to integrate into Houston's society or economy, or will the housing costs begin to increase and push population growth to new areas in search of more affordable housing?

Citywide Affordability

Housing affordability is dependent on the balance between income and housing choices that correspond to any given income level. If income increases keep pace with increases in housing costs, affordability will not be an issue. During the 1990s incomes generally increased. The median household income for Houston was \$36,616 in 2000, compared to \$30,905 in 1990. The median family income also increased. These figures do not account for inflation, which means that the increase in purchasing power may be much less than the large increase in incomes might

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indicate. While housing affordability is not a pressing concern for the majority of households in Houston, for 27% (185,330 households), housing remains unaffordable.

Housing affordability is a major issue for those in poverty. Overall, 16% of Houston's population falls below the poverty level - \$17,463 for a family of four and those are likely to be well below the poverty level and young. In fact, almost half of the population below the poverty level has incomes that are less than 50% of the poverty threshold. In 2000, the largest numbers of families below poverty level were headed by females with children. Furthermore, poverty levels were the highest among children below 5 years of age. While there was a slight improvement in some poverty related measures during the 1990's, 28% of children below five still lived in poverty in 2000.

Citywide Home Ownership

Regardless of income level, just over half of Houston households are renters, a figure largely unchanged since 1990. In fact Houston's home ownership levels lag behind the rest of the nation (at 46% compared to 68% nationally). The largest numbers of renters are found in the western and southwestern parts of Houston. While rents in the City continue to be relatively affordable overall, they have increased faster than income in the last ten years. Between 1990 and 2000, median gross rent increased by 24% (\$462 to \$575), while median household income increased by only 18%. The net result of this disparity between the changes in rental costs and the change in income is that, for about one third of all renters, housing is considered unaffordable. This is a special issue for seniors; 57% pay rents that are more than 30% of their income.

The far northeast, far southeast and western parts of Houston have the largest numbers of homeowners. Housing values have increased substantially since 1990 in most parts of the City. The median home value increased from \$58,000 in 1990 to \$79,300 by 2000 (a 36.7% increase). Even with this substantial increase, fewer owner households than renter households live in housing that is unaffordable to them – approximately 1 in 5. Most owner households living in housing that is not affordable have incomes less than \$35,000 per year.

The remainder of this document provides an in depth and detailed analysis of more than 70 different variables derived from 1990 and 2000 Census data that relate to Houstonians and the housing in which they live.